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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 FRB-03
XMB-02 COME-00 CIAE-00 INR-07 NSAE-00 L-03 SAJ-01
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FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 3966
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
USMISSION BERLIN UNN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY LONDON
USMISSION NATO
AMEMBASSY OTTAWA
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY VIENNA
AMEMBASSY WARSAW

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E.O. 11652: N/A
TAGS: EFIN, COMECON
SUBJECT: IIB AND CEMA INTEGRATION PROJECTS

REF: MOSCOW 1766

SUMMARY: DURING DISCUSSION WITH EMBASSY OFFICERS, INTERNATIONAL INVESTMENT BANK (IIB) OFFICIALS STRESSED IIB'S INDEPENDENT STATUS AND SEPARATE MEMBERSHIP, STATED THAT DISBURSEMENT OF MONEY FOR ORENBURG GAS PIPELINE PROJECT GOES THROUGH SOVIET FOREIGN TRADE BANK (VTG) AND DESCRIBED BANK'S PLANS FOR LOAN
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TO DEVELOPING COUNTRIES. END SUMMARY.

1. ON FEBRUARY 4, E/C COUNSELOR AND EMBOFF CALLED ON GUENTHER KADOV, DEPUTY MANAGING DIRECTOR OF THE PLANNING AND ECONOMIC DEPARTMENT, AND IGOR M. NOVIKOV, SENIOR ADVISOR, OF IIB, TO DISCUSS IIB LOAN POLICY AND CEMA INTEGRATION PROJECTS. (DISCUSSION OF IIB ATTITUDES TOWARDS LEGAL QUESTION OF

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REGISTRATION WERE REPORTED REFTEL.)

2. KADOV, WHO IS EAST GERMAN, BEGAN WITH LONG DESCRIPTION OF IIB FUNCTIONS, EMPHASIZING SEPARATE MEMBERSHIP AND INDI-PENDENT STATUS VIS-A-VIS CEMA. ASKED IF CEMA DIDNOT PLAN INTEGRATION PROJECTS WITH PRIOR ASSURANCE OF IIB FINANCING, KADOV CONTENDED THAT IIB CAN INFLUENCE CEMA DECISIONS THROUGH ITS OWN PARTICIPATION IN CEMA COMMITTEES WHERE PROJECTS ARE FIRST DISCUSSED. ACTUAL REQUESTS FOR LOANS, HOWEVER, SAVE FOR ONE-TIME EXCEPTION OF ORENBURG GAS PIPELINE PROJECT, MUST COME FROM MEMBER COUNTRIES OF IIB, NOT FROM CEMA. GREATER PART OF LOANS ARE IN TRANSFERABLE RUBLES (TR'S), BUT SOME PORTION (USUALLY FIVE PERCENT BUT POSSIBLY MORE) CAN BE IN CONVERTIBLE CURRENCIES.

3. IIB OFFICIALS RESISTED OUR EFFORTS TO INDUCE THEM TO PROVIDE BREAKDOWN, COUNTRY-BY-COUNTRY, OF IIB HARD CURRENCY DISBURSEMENTS. THEIR REMARKS LEFT THE STRONG IMPLICATION, HOWEVER, THAT THE LION'S SHARE OF ALL HARD CURRENCY BORROWING HAD GONE TO PAY FOR ORENBURG WHICH FROM THE BEGINNING HAD BEEN PLANNED AS A PROJECT ON WHICH IIB WOULD MAKE LARGE LOANS IN CONVERTIBLE CURRENCIES TO COVER HARD CURRENCY IMPORTS FOR PROJECT. OFFICIALS WERE ALSO CAREFUL TO HEDGE ANSWER TO QUESTION WHETHER IIB LOANED AT SAME RATE WHICH IT BORROWED CONVERTIBLE CURRENCY. THEY DID SAY THAT ALL DISBURSE-MENT OF MONEY FOR ORENBURG IS MADE THROUGH USSR FOREIGN TRADE BANK, SINCE THE SOVIET UNION IS ACTING AS PURCHASING AGENT FOR WESTERN EQUIPMENT. REPAYMENT OF LOANS IS MADE BY THE EAST EUROPEAN NATIONAL BANKS.
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4. ACCORDING TO NOVIKOV, IIB SYNDICATION BORROWING IN WESTERN FINANCIAL MARKET WAS DESIGNED TO COVER FUNDS RAISED IN SHORT-TERM MONEY MARKET, THUS PAYMENT ON OUTSTANDING LOANS. (IF THIS IS TRUE, THE $200 MILLION WHICH IIB MAY BE SEEKING TO RAISE LATER THIS YEAR COULD BE TO REPAY SHORT-TERM OBLIGATIONS RATHER THAN COVER NEW PURCHASES.)

5. WHEN ASKED IF IIB WAS INVOLVED IN FINANCING OTHER LARGE CEMA "INTEGRATION PROJECTS," SUCH AS KIMBAYEV UST-ILYMSK AND KURSK, OFFICIALS REPLIED THAT IIB WAS NOT INVOLVED SINCE THESE PROJECTS WERE ALREADY PLANNED BEFORE IIB WAS OPERATING AND SINCE PARTICIPATING COUNTRIES HAD NOT APPLIED TO IIB FOR LOANS. THEY IMPLIED, HOWEVER, THAT THEY WOULD EXPECT IN THE FUTURE THAT PROJECTS OF LARGE MAGNITUDE WOULD INVOLVE IIB LOANS.

6. KADOV SAID THAT IIB HAS NOW ESTABLISHED RELATIONS WITH ALL THE REGIONAL DEVELOPMENT BANKS. ALTHOUGH IIB HAS NOT

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YET MADE ANY LOAN FROM THE SPECIAL ONE BILLION TR FUND FOR AIDING DEVELOPING COUNTRIES, THE MECHANICS FOR DOING SO HAVE NOW BEEN SET UP AND SEVERAL APPLICATIONS RECEIVED (NO INFORMATION WAS GIVEN ON APPLICANTS). IIB WILL BE CAUTIOUS IN CHOOSING AID PROJECT, SINCE IT WISHES FOR FIRST ONE TO BE PARTICULARLY SUCCESSFUL. IN CHOOSING ANY SUCH PROJECT, ACCORDING TO KADOV, IIB WOULD COORDINATE WITH THE REGIONAL DEVELOPMENT BANKS SO AS NOT TO DUPLICATE EFFORTS. IT WOULD EVEN BE POSSIBLE TO COOPERATE DIRECTLY WITH SUCH BANKS. WHEN ASKED IF SOME PART OF SUCH A LOAN MIGHT BE IN CONVERTIBLE CURRENCIES, OFFICIALS RESPONDED IN THE AFFIRMATIVE.

7. COMMENT: IIB'S SPECIAL CONCENTRATION ON ORENBURG PIPELINE PROJECT WAS EVIDENT FROM THIS DISCUSSION. IT MAY NOT FEEL CAPABLE OF TAKING ON FINANCING FORM MORE THAN ONE HUGE PROJECT AT A TIME. ASSUMING IT CAN GET AROUND LEGAL QUESTION OF REGISTRATION, IIB SEEMS LIKELY TO BE IN THE MARKET FOR

SUMS SUBSTANTIALLY SMALLER THAN THE $600 MILLION BORROWING IT MADE LAST YEAR.
TOON

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Message Attributes

Automatic Decaptioning: X
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Concepts: JOINT VENTURES, PROGRAMS (PROJECTS), BANK LOANS
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Sent Date: 08-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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